

DEC 19 1962

INDIANASANITIZED Approved For Release : CIA-RDP75-00001R000100390037-5

EVENING 166-285

\$25 Million Tax Break on Drugs Likely

The Kennedy administration is considering giving drug manufacturers—including Eli Lilly & Co., and Pitman-Moore of Indianapolis—a \$25 million tax deduction on medicines donated for the proposed Cuban prisoner ransom, Washington sources said today.

Lilly is donating \$2.3 million worth of drugs (valued in dollars at wholesale rates) and Pitman-Moore is providing \$250,000 worth.

Five trucks of Terminal Transport Co., Indianapolis, left Miles Laboratories, Inc., Elkhart, early this morning with a medical and nutritional cargo valued in excess of \$1 million—the contribution of Miles and affiliates. The cargo is bound for Port Everglades, Fla.

They and other drug manufacturers—virtually the entire American industry—are contributing drugs to the American Red Cross for use in meeting the \$62 million ransom price.

US HELPED ON GIFT PLANS

The first shipment of Lilly drugs left by truck yesterday afternoon from the Kentucky Avenue plant. Pitman-Moore started its shipments Monday by air.

Drug gifts were worked out at a series of meetings with government officials, the first of the meetings being held two weeks ago in Washington. No commitment was made on tax deductions at that time, Washington sources said.

It could be presumed, however, that drug manufacturers might include the contributions in the 5% of income which they are allowed to deduct for tax purposes for philanthropy.

A Lilly statement yesterday said the firm was co-operating with the Red Cross "because it had been emphasized by . . . government officials that release of the prisoners is of paramount importance to the long-range interest of the American people."

TAX MONEY USE IS TICKLISH

Administration sources said that if the \$25 million deduction is granted the industry, it would be based on the wholesale value of \$52 million in drugs at retail.

The tax deduction proposal was worked out within the administration after key members of Congress had made it clear they would not go along with the direct use of federal funds for the payment of what they called ransom.

Previously the administration had unsuccessfully sought clearance of influential members of the House and Senate Appropriations Committees to put up \$12.5 million in available Central Intelligence Agency funds to pay for medical supplies.

It was stressed in administration quarters that the tax deduction proposal awaits final, official approval.

Among other things, a ruling will be required by the Internal Revenue Service that the contributions are deductible.

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